

TIP SHEET - HOMEBUYER SUBRECIPIENT

- There are several allowable types of homebuyer assistance activities: (1) rehabilitation in support of homeownership; (2) acquisition assistance such as mortgage buy-down and/or down payment and closing costs; and (3) general homebuyer assistance - a combination of the first two types.

Activity Requirements

- Only first-time homebuyers are eligible for homebuyer assistance activities. First-time homebuyers must meet the HUD definition.

HUD's definition of First-Time Homebuyer - An individual or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with HOME assistance, except that an individual who is a displaced homemaker or single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while a homemaker, owned a home with his or her spouse or resided in a home owned by a spouse; and an individual may not be excluded from consideration on the basis that the individual owns or owned, as a principal residence during the three-year period before purchase of a home with HOME assistance, a dwelling unit whose structure is (1) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations, or (2) not in compliance with state, local or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

- Only households whose gross annual incomes are at or below 80% of the area median income can participate in (benefit from) a homebuyer activity. A list of area income levels is available at IFA's HOME web page.
- For home ownership assistance, the initial purchase price for newly constructed units or the after rehabilitation value for rehabilitated units shall not exceed 95 percent of the median purchase price as established by HUD mortgage limits for the same type of single-family housing in the area Single Family Mortgage Limits under Section 203(b) of the National Housing Act established in February 2008.
- The maximum per unit HOME program subsidy for homeownership activities involving rehabilitation is \$37,500 (inclusive of all costs). The maximum per unit HOME subsidy for acquisition assistance is \$35,000.
- Homebuyer assistance programs shall be designed to provide gap financing. The HOME program shall provide the least amount of assistance necessary to make individual projects affordable to the homebuyer.
- All HOME funded homebuyer assistance activities will need to require the beneficiaries of their program to use a principal mortgage loan product that meets the following criteria:
 - a) With the exception of Habitat for Humanity principal loan products, the principal mortgage loan must be the only repayable loan in all individual homeownership assistance projects.
 - b) The HOME assistance may be recorded in junior position to the principal mortgage loan, but must be recorded in senior position to any and all other funding in all homebuyer assistance projects. Recipients of HOME homebuyer assistance activities must maintain their assistance security agreements in the above stated recording position throughout the applicable period of affordability and will not be allowed to subordinate recording position to any other forms of assistance, such as home equity loans.

- c) Any mortgage lending entity's principal mortgage loan products may be used provided they meet all of the following requirements.
1. Loan interest rates may be no higher than four percentage points above the federal prime interest rate at the time of loan closing; and Upon completion, all dwellings rehabilitated as part of a homeownership assistance activity must conform to Iowa's Minimum Housing Rehabilitation Standards (applicable to all communities with populations of less than 15,000 absent of such standards or codes).
 2. Loan terms will include an 80% loan-to-value ratio or higher; and
 3. No less than a 15-year, fully amortized, fixed rate mortgage must be used; and
 4. No adjustable rate mortgage or balloon payment types of mortgages will be allowed.
- d) Recipients are encouraged (not required) to have the beneficiaries of their homeownership assistance activity utilize a principal mortgage loan product offered by one of the following: Iowa Finance Authority; USDA-Rural Development; Federal Home Loan; HUD (including FHA and VA); Habitat for Humanity; Fannie May; or Freddie Mac.
- Assisted units must remain affordable through recapture provisions for a specific time period: 5 years for projects receiving up to \$15,000 in HOME assistance; 10 years for projects receiving \$15,000 to \$40,000 in HOME assistance; and 15 years for projects receiving over \$40,000 in HOME assistance. IFA requires recapture over resale, allowing the homeowner to recapture any initial out-of-pocket investment before the recipient recaptures any HOME investment. IFA's preferred method of recapture is a receding forgivable loan. Recaptured funds must be based on the net proceeds of the subsequent sale. Resale provisions do apply to development subsidies. The IFA will determine the applicability of recapture provisions or resale provisions.
- All newly constructed single family housing shall be constructed in accordance with any locally adopted and enforced building codes, standards and ordinances. In the absence of locally adopted and enforced building codes, the requirements of the Iowa State Building Code shall apply. The Iowa State Building Code Department's web link is provided on Appendix C.
- All single-family housing involving rehabilitation shall be rehabilitated in accordance with any locally adopted and enforced building or housing codes, standards and ordinances. In the absence of locally adopted and enforced building or housing codes, the requirements of the most current version of Iowa's Minimum Housing Rehabilitation Standards shall apply (all communities with populations of 15,000 or less).

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[HOME Homebuyer Program](#)

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